

FEB 3 1976 -10 35 AM

FIRST SUPPLEMENTAL SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS FIRST SUPPLEMENTAL SECURITY AGREEMENT dated as of February 3, 1976 from Trust Company for USL, Inc.; not in its individual capacity but solely as Trustee under a Trust Agreement dated as of March 1, 1975 (the "Debtor") whose Post Office address is 1211 West 22nd Street, Oak Brook, Illinois 60521, to HARRIS TRUST AND SAVINGS BANK (the "Secured Party"), whose principal office is at 111 West Monroe Street, Chicago, Illinois 60690.

RECITALS:

A. The Debtor and the Secured Party have heretofore entered into that certain Security Agreement-Trust Deed dated as of March 1, 1975 (the "Original Security Agreement") as security for the payment in full of all principal of and interest on the 9% Secured Notes of the Debtor in the aggregate principal amount of not more than \$17,300,000 (the "Notes") issued under and pursuant to the separate Loan Agreements (the "Loan Agreements"), each dated as of March 1, 1975, between the Debtor and the Lenders named in Schedule A thereto.

B. The Debtor desires to reconvey and to confirm the security interest created by the Original Security Agreement in respect of the properties therein described and to convey and create a security interest in the properties further described herein.

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed. It is the intention of the parties hereto that this Agreement shall constitute a mortgage of the Equipment and assignment of the Lease (both as defined in Section 1.01 hereof) for purposes of Section 20c of the Interstate Commerce Act.

SECTION 1. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in the Original Security Agreement, as supplemented hereby, and in the Loan Agreements contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors in trust and

assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.01 and 1.02 hereof subject always to the exceptions, reservations and limitations contained in Section 1.05 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.01. EQUIPMENT COLLATERAL. Collateral includes the railroad equipment specifically described in the Original Security Agreement and in Schedule A attached hereto and made a part hereof (collectively the "Equipment" and individually an "Item of Equipment") constituting a part of the railroad equipment leased and delivered under that certain Lease of Railroad Equipment dated as of March 1, 1975, as supplemented by Lease Supplement Nos. 2 through 6, both inclusive, dated as of September 8, 1975, September 30, 1975, October 30, 1975, November 28, 1975 and December 30, 1975, respectively, (said Lease as so supplemented being hereinafter referred to as the "Lease"); between the Debtor, as Lessor, and Union Carbide Corporation, a New York corporation (the "Company"), as Lessee, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals, or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment together with all the rents, issues, income, profits and avails therefrom (except to the extent reserved in Section 1.02 hereof), subject, however, to Permitted Encumbrances referred to in Section 1.03 hereof.

1.02. RENTAL COLLATERAL. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the terms of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation:

(a) the immediate and continuing right to receive and collect all Periodic Rent and payments of Casualty Value and Termination Value (as defined in the Lease), insurance proceeds, condemnation awards and other payments (other than payments of Daily Interim Rent), tenders and security now or hereafter payable to or receivable by the Debtor as Lessor under the Lease,

(b) subject to the provisions of Section 3.07 of the Original Security Agreement, the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications,

(c) to take such action upon the occurrence of a Default or an Event of Default under the Lease (other than a Default or Event of Default excepted and reserved from the security interest and the operation of this Security Agreement under the provisions of Section 1.05(c) hereof), including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease,

(d) all right, title, interest, claims and demands of the Debtor and the Trustor in and to any and all payments ("Option Payments") under Section 6(4) of the Acquisition Agreement dated as of March 1, 1975 (the "Acquisition Agreement") between the Debtor and the Company,

(e) the immediate and continuing right to receive and collect all sums now or hereafter payable to or receivable by the Debtor pursuant to paragraphs (a) and (c) of Section 25 of the Lease;

but only insofar as the Lease (other than paragraphs (a) and (c) of Section 25 thereof) and other benefits of the Debtor, as lessor thereunder, extend or relate to the Equipment and subject always to the exceptions, reservations and limitations contained in Section 1.05 hereof. It is the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.05 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive the Periodic Rent and other payments and sums referred to in paragraphs (a), (c), (d) and (e) above for application in accordance with the provisions of Section 5 of the Original Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

The Periodic Rent, payments of Casualty Value and Termination Value and Option Payments in respect of the Items of Equipment and all payments pursuant to paragraphs (a) and (c) of Section 25 of the Lease are hereinafter sometimes referred to as the "Assigned Rents".

1.03. PERMITTED ENCUMBRANCES. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Company under the Lease, and (b) the lien of current taxes and assessments not in default, or, if delinquent, the validity of which is being contested in good faith (collectively "Permitted Encumbrances").

1.04. DURATION OF SECURITY INTEREST. The Secured Party, its successors in trust, and assigns, shall have and hold the Collateral forever, without preference, priority or distinction of any Note over any other Note by reason of priority in the time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreements and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and the Original Security Agreement, as supplemented hereby, shall become null and void; otherwise to remain in full force and effect.

1.05. EXCEPTED RIGHTS IN COLLATERAL. Subject to the proviso hereto, there are expressly excepted and reserved from the security interest and operation of the Original Security Agreement, as supplemented hereby, the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral"):

(a) all rights of the Debtor under the Lease to enter into an agreement or agreements with the Company to (i) change the amount of Daily Interim Rent and Periodic Rent (as such terms are defined in the Lease) due under the Lease; (ii) modify or amend the renewal provisions set forth in Section 23 of the Lease; (iii) modify or amend the Casualty Values and the Termination Values set forth in Schedules 2 and 3 of the Lease, respectively, or (iv) extend the Primary Term (as such term is defined in the Lease); provided that

(x) the Periodic Rent with respect to any Item of Equipment shall in no event be reduced below amounts required to discharge that portion of the loans under the Loan Agreements (other than prepayments thereof permitted under Section 5.01 of the Original Security Agreement or Section 10.03 of the Lease or required under Section 10.02 of the Lease) and/or interest thereon due and payable on the due date of each payment of Periodic Rent under the Lease,

(y) the Casualty Values with respect to any Item of Equipment shall in no event be reduced below amounts required (when taken together with the Periodic Rent then payable) to discharge that portion of the loans under the Loan Agreements and/or interest thereon due and payable on the date on which any Casualty Values shall be due and payable under the Lease, and

(z) the Termination Values with respect to any Item of Equipment shall in no event be reduced below amounts required (when taken together with Periodic Rent then payable) to discharge that portion of the loans under the Loan Agreements and/or interest thereon due and payable on the date on which any Casualty Values shall be due and payable under the Lease;

(b) any insurance proceeds payable under general public liability policies maintained by the Company pursuant to Section 10.12 of the Lease which by the terms of such policies or the terms of the Lease are payable directly to the Debtor or the Trustor for its own account;

(c) if a Default or Event of Default (as such terms are defined in the Lease) based solely on the breach of any covenant of the Lessee in favor of the Debtor or the Trustor contained in Section 5 or 6 of the Acquisition Agreement (including any covenant to pay any indemnity to the Debtor or Chase Manhattan Service Corporation (the "Trustor") for its own account) or any covenant of the Lessee contained in Section 23 of the Lease shall occur and be continuing, the right of the Debtor to declare that a Default or Event of Default exists under the Lease and the right of the Debtor or the Trustor to exercise the remedies but only those remedies provided for in Section 13.02(1) of the Lease to enforce performance by the Lessee of any covenants of the Lessee to pay any such indemnity directly to the Debtor or the Trustor or to recover damages for the breach thereof; and

(d) any payments which the Secured Party shall pay over and release to the Debtor or the Trustor in compliance with the terms and provisions of the Original Security Agreement, as supplemented hereby.

SECTION 2. WARRANTY.

The Debtor does hereby represent and warrant that (i) the Debtor has the right, full power and authority under the Trust Agreement to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth and (ii) the Debtor will warrant and defend its right, title and interest in and to the Collateral against Lessor's Liens.

Subject to the limitations contained in the Original Security Agreement, the Debtor further covenants and agrees to perform and observe duly and punctually all of the covenants and agreements on its part contained in the Original Security Agreement, all such covenants and agreements being hereby ratified, approved and confirmed.

The capitalized terms used herein shall, except as otherwise provided herein, have the meanings therefor set forth in the Original Security Agreement.

This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Agreement.

IN WITNESS WHEREOF, the Debtor has caused this Agreement to be executed, and the Secured Party in evidence of his acceptance of the trusts hereby created has caused this Agreement to be executed, all as of the day and year first above written.

TRUST COMPANY FOR USL, INC.,
as Trustee under U. C. Trust
No. 12

[Corporate Seal]

Attest:

Richard A. Cogan
Its Asst. Sec.

By Bon Manshardt
Its President

DEBTOR

HARRIS TRUST AND SAVINGS BANK,
as Security Trustee

By [Signature]
Its VICE PRESIDENT

[Corporate Seal]

Attest:

[Signature]
Its ASSISTANT SECRETARY

SECURED PARTY

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN FRANCISCO)

On this 26th day of January, 1976, before me personally appeared BEN MAUSHARDT, to me personally known, who being by me duly sworn, says that he is the President of TRUST COMPANY FOR USL, INC., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

Walter J. Michil
Notary Public

My commission expires: December 6, 1979

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 28th day of January, 1976, before me personally appeared J. L. SPRENG, to me personally known, who being by me duly sworn, says that he is the VICE PRESIDENT of HARRIS TRUST AND SAVINGS BANK, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

J. M. Moennich
Notary Public

My commission expires: **SEPTEMBER 2, 1979**

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers</u>
1	18,000 gallon liquid oxygen tank car (AAR #204W)	RAIX 700
7	20,000 gallon non-coiled, insulated tank cars (DOT #105A400W1)	RAIX 2000 through RAIX 2006, both inclusive
93	5700 cubic ft. covered hopper cars	RAIX 57127 through RAIX 57219, both inclusive
231	5250 cubic ft. covered hopper cars	RAIX 60573 through RAIX 60803, both inclusive

SCHEDULE A
(to First Supplemental Security Agreement)